Why Loblaw Companies (TSX:L) Is Much More Intriguing as an Investment Right Now

Description

When was the last time you considered a grocer as an investment option? Many of us shop at the grocery or pharmacy stores owned by **Loblaw Companies** (TSX:L), but it continues to amaze me how many dismiss the company and others like it as an investment.

I'll be the first to admit that I'm a big foodie, but one with a peculiar, if not Foolish twist. I enjoy exploring the aisles of my local store for unique products, and I often realize there are some incredible food investments hiding in plain sight on grocery store shelves.

On one of my recent shopping trips, I had an epiphany that Loblaw really is a compelling investment option. I visited Loblaw with some out-of-town friends that don't have a Loblaw store near them, and because of the unique nature of its products, they filled their cart with products I take for granted every week.

Then it hit me.

Grocery stores like Loblaw provide an essential service that we can't do without. Try as we might, we may be able to avoid purchasing some things, but food is not on that list. The same could be said to a lesser extent of medications. As Loblaw owns both the largest brands of grocery stores in the country as well as the largest pharmacy, this puts Loblaw in a prime defensive position over its peers.

That uniqueness and defensive nature alone doesn't make Loblaw a good investment. For that, let's talk a bit about the company's new self-checkout app, which could, if it takes off, reinvent how we pay for groceries and finally bridge the gap between grocery shopping and technology.

Loblaw fires a defensive salvo at the e-commerce behemoths

Grocery stores remain one of the few bastions of the retail sector that online retailers have yet to fully penetrate. The fragile and perishable nature of food products — along with the very personal process of selecting your family's food — has left a sizable moat for technology to tackle. Online ordering and pickup solutions somewhat accomplish the first issue, while personal shopping and delivery services somewhat cater to the other.

Now Loblaw has announced a different, very innovative solution.

Starting today, shoppers in five stores across the GTA will be able to use a new technology referred to as “shop and scan.” Much like the name implies, this allows customers to scan items with their phones, adding them to their digital cart. A barcode is then created for that digital cart, which can then be scanned at a “fast-lane” checkout.

Loblaw is also looking at a future upgrade that will bypass the self-checkout entirely.

Should you buy Loblaw?

While Loblaw remains a compelling investment option for long-term investors, there are two key points that potential investors should contemplate at the moment.

First, there’s Loblaw’s recent financial update. While the company did post a 1.8% improvement in revenue in the most recent quarter, that anemic growth rate takes into consideration the negative impact of wage increases, healthcare reform, disposition of gas bar operations, and restructuring of the company’s REIT — **Choice Properties**. In other words, it was a busy quarter in terms of adjustments, yet the company still managed to post some revenue gains.

Finally, there’s Loblaw’s dividend. While the current payout provides a 2.01% yield, it hardly qualifies as the most impressive yield in the market. What the dividend does provide, however, is a healthy payout that long-term investors looking to diversify their portfolio will appreciate.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/24
Date Created
2018/11/22

Author
dafxentiou